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INTRODUCTION

The Office of Internal Audit performed an audit of Jackson County FIA for the period October 1, 1997 through November 30, 1998. The objectives of our audit were to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. Jackson County FIA had 154 full time equated positions (FTE's) at the time of our review. Jackson County FIA provided assistance to an average 11,569 recipients per month during FY 1997, with total assistance payments of \$19,179,467 during that year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at Jackson County FIA, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. We included the following systems:

Client Processing	CIS
Cash Disbursements	Cash Receipts
General Ledger	Modified Accrual Balance Sheet
Safe & Controlled Documents	IRS Information Security
Food Stamp Issuance	Accounts Receivable
ENP/SER Payments	Telephone Usage
Payroll Processing	Medical Transportation

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Jackson County FIA internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. We did, however,

find one instance of noncompliance with FIA policies and procedures, and two weaknesses in internal controls, which are detailed below.

LOCAL OFFICE RESPONSE

The management of Jackson County FIA has reviewed all findings and recommendations included in this report. They indicated in a memorandum dated December 22, 1998 that they are in general agreement with the report.

FINDINGS AND RECOMMENDATIONS - COMPLIANCE

The following is an area where we found that the Jackson County FIA was not operating in accordance with FIA policies and procedures that are described in manuals or instructional letters.

Modified Accrual Basis Balance Sheet

1. Jackson County FIA did not prepare the Modified Accrual Basis Balance Sheet each month, as required by Accounting Manual Item 402.3. Preparation of the Modified Accrual Basis Balance Sheet is necessary to provide an accurate presentation of the local office's financial position.

WE RECOMMEND that Jackson County FIA prepare the Modified Accrual Basis Balance Sheet each month in accordance with the instructions in Accounting Manual Item 402.3.

RECOMMENDATIONS FOR IMPROVED INTERNAL CONTROLS

The following are areas where we have identified a control weakness at Jackson County FIA, and we are recommending a change in procedure to reduce the risk associated with the control weakness.

CIS Status Codes

2. The fiscal staff at Jackson County FIA had an FLM status code on the Client Information System (CIS). This status code allows the fiscal staff to make changes to client cases and then process payments to those same cases.

WE RECOMMEND that Jackson County FIA change the fiscal staff to inquiry only status on CIS or request status code customization in accordance with L-Letter 97-063.

Accounting Work Area

3. Access to the accounting work area at Jackson County FIA was not limited to accounting staff only. The Primary Internal Control Criteria for Local/District Office Operations states that the local office accounting unit should be within a floor to ceiling area with locked doors that provide a controlled physical barrier to access.

WE RECOMMEND that Jackson County FIA limit access to the accounting unit in accordance with the Primary Internal Control Criteria for Local/District Office Operations.